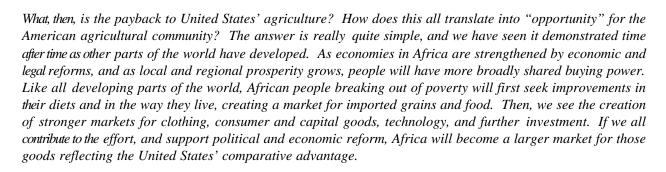
## Africa Trade and Investment Program (ATRIP) Proposal

# EAST AFRICA SUBREGION: ENHANCING TRANSPORTATION MANAGEMENT AND HARMONIZING STANDARDS TO FOSTER U.S. AGRICULTURAL TRADE OPPORTUNITIES

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Bonnie E. Raquet, Vice President Washington Corporate Relations - Cargill, Inc. Excerpt from 2/23/98 speech at Agricultural Outlook Forum

The story in Africa is getting in early . . . Over the past three years U.S. trade with Africa has grown by 32.1 percent, tracking the 32.4 percent expansion in total U.S. trade during the same period, the Department of Commerce said.

"Africa's Potential as Trade Partner" Washington Post 03/23/98

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# East Africa Subregion: Enhancing Transportation Management and Harmonizing Standards to Foster U.S. Agricultural Trade Opportunities

#### I. Precis:

This project proposes a series of interrelated activities for the East Africa Subregion (Kenya, Uganda, and Tanzania) to assist policy makers in improving regional transportation management and in developing a common set of agricultural standards. The very poor state of transportation infrastructure and the dearth of harmonized standards in the region are two of the largest constraints restricting faster East African economic growth, U.S.-East Africa bilateral trade, and East Africa inter-regional trade. The proposed activities, therefore, are to enable selected transportation and standards officials to visit specific U.S. institutions, organizations, and facilities covering ports, railways, roads, customs, clearing and forwarding, and standards. Through these visits, the offic ials, initially, will gain first-hand knowledge of how U.S. exports/imports are regulated, handled, and transported (the facilities involved, the transit issues, the procedures, the documents, the costs, communication and information flows and training issues) and, ultimately, will evaluate how some or all of the pertinent issues can be adapted for the East African region. The U.S. visits will be followed up with a series of in-country and regional workshops. To meet this end, we propose the following activities: (1) A two-week, U.S. based training in Regional Standards Harmonization for a twelve-person team of East African agricultural standards officials from the Bureaus of Standards and Ministries of Agriculture of Kenya, Tanzania, and Uganda; (2) A two-week, U.S. based training in Regional Transportation Management for a twelve-person team of East African transportation officials from the existing regional transportation group of officials and businessmen from Kenya, Tanzania, and Uganda; (3) nine in-country workshops (three in each country) to address on-going technical issues; (4) A two-day conference/workshop in Nairobi for both teams, political leadership, and other speciallytargeted key players to reconvene in 6-9 months after the U.S. training to develop a strategic plan and collaborate on future action. The time line for the proposed activities is open, excluding winter time in the U.S., when snow, ice, and cold may hinder the success of the visit. The total cost of the activities is anticipated to be \$659,336.

#### II. Detailed Description of Proposed Project

#### **Trade Constraints:**

The East African Ports of Mombasa (Kenya) and Dar-Es Salaam (Tanzania) are the gateways to a population of over 150 million people in East and Central Africa. Currently those gateways are highly restrictive, due to high transportation costs and old, inflexible standards. In practice, the level of transport costs incurred within the region, particularly with respect to trade with overseas partners, is not solely the result of distance from the sea. Costs escalate because of inadequate transportation facilities, inefficient transportation management, unreliable communications between the ports and the countries in the region, complicated documentation procedures, contrary and/or outdated regulations, and extraneous insurance charges. For the land-locked countries, these issues are further complicated by the fact that the transit is greater and the eventual cost is subject to the prices the coastal countries assess and the priority they give the merchandise.

In an attempt to alleviate the trade constraint imposed by the high transportation costs and inflexible standards, a group of East African Cooperation (EAC - Kenya, Uganda, and Tanzania) transportation specialists formed the East African Transportation Initiative (EATI) in August 1995. The overall mission objective of EATI is the promotion of cost effective, economical, and efficient means of transportation within the region. The areas of concentration for EATI activities include shipping, ports, railways, inland waterways, roads, and transportation

facilitation issues, including customs facilities, product standards and regulations, and clearing and forwarding. The EATI was created through a USAID/REDSO-sponsored workshop in Arusha, Tanzania to identify root causes of high transportation costs in the region. The meeting included over 65 participants from the EAC representing port authorities, rail authorities, government ministries dealing with roads, private sector freight forwarders, grain traders, and other private sector representatives. Sixteen people were drawn from this group, with the same representation, to form EATI. Initially, USAID provided EATI with support of approximately \$100,000 to refine the proceedings and recommendations from the Arusha conference and to begin implementing reforms. An additional \$55,000 was obligated in FY97 to continue this support to EATI over the next couple of years.

The Arusha conference proceedings noted that transportation costs are particularly high for transit traffic through the ports of Mombasa and Dar-Es Salaam to the landlocked countries of Uganda, Rwanda, Burundi, and the eastern regions of the Democratic Republic of the Congo (DROC). Specifically, the study indicated that the total costs of facilitating the movement and transporting a 30-ton consignment (e.g., a 40-foot container) with a CIF value of \$10,000 at the port of Mombasa or Dar-Es Salaam would amount to as much as \$5,000 for Uganda imports, \$6,750 for Rwanda imports, and some \$7,500 for imports to Burundi. Similar costs to areas in eastern DROC are as much as \$9,000. These costs, which are paid by the shipper, comprise port handling charges, clearing and forwarding charges, actual inland freight charges demanded by transport firms, and opportunity costs associated with capital funds locked in transit. There is a whole range of official and unofficial charges, particularly relevant to road transport, that add to the high transportation costs.

An example of unnecessarily high transportation costs points to a recent shipment of U.S. white corn to the port of Mombasa. The shipment landed in the port at slightly under \$200 per metric ton (CIF), but by the time it reached its final destination, Kampala, it was valued at over \$350 per metric ton. Part of that mark-up was due to legitimate customs tariffs, border-crossings fees, and overhead. However, the largest part of the mark-up was due to poor road and rail conditions, inefficient port handling methods (bulk to bags), and less-than-stellar management of the existing facilities. This mark-up could have been prevented by efficient transportation management practices across the region. In another instance, a shipment of U.S. wheat flour arrived in Mombasa in late January 1997, but due to a lack of railroad cars, the flour did not arrive in Uganda until May. The shortage of railroad cars was not due to a lack of rolling stock, but due to very long turn-around times and a break-down in communication between the Ugandan and Kenyan railroad authorities. Once again, efficient transportation management practices could have prevented this delay.

Out-dated and contrary standards not only add to transportation costs, they also slow the transit process and often completely prevent commodities from crossing borders. For example, several recent shipments of U.S. white corn were refused entry into Mombasa port because the U.S. moisture standard is different from the Kenyan standard. Finally, after reviewing the existing standard and after much deliberation, the Kenyan Bureau of Standards agreed to additional aflatoxin testing upon arrival, thereby allowing the corn to enter the port. This delay could have been prevented by up-to-date, harmonized standards. Similarly, importers moving wheat through Kenya to Uganda face problems, as the Kenya Bureau of Standards and the Kenya Agricultural Research Institute have different standards than the Ugandan Bureau of Standards. A recent PL-480-Title II shipment of wheat (for NGO monetization) was forced to negotiate a waiver to avoid paying inspection fees to the Government of Kenya, although the commodity was in transit to Uganda and did not enter the commercial markets in Kenya. Harmonization of standards, inspections fees, and other procedures will greatly increase the willingness of U.S. exporters to consider supplying the East African market.

In a February 1998 correspondence, FAS Agricultural Attache, Henry Schmick, indicated several of Kenya's largest animal feed manufacturers and vegetable oil processors are interested in importing U.S. soybeans. After

crushing the soybeans in Kenya, the soybean oil will be sold in the local vegetable oil markets to compete with the low-quality palm oil, while the meal will be used to improve the animal feed for the poultry and dairy sectors. One of the major constraints that these companies must address is the unnecessarily high cost of transportation. Another constraint is the lack of clear lines of authority regarding which government agency will oversee which part of the operation. The import standards for soybeans have to be developed, while the standards for vegetable oil and animal feeds already exist (but are frequently ignored). Should these companies wish to export their oil and animal feed to the surrounding countries, they currently face new sets of standards in each country.

Furthermore, when the East African ports work more efficiently and when standards are up-to-date and regionally cohesive, lower freight costs would open up additional markets in central Africa for U.S. agricultural commodities ranging from bulk to consumer-oriented goods. The demand for these goods is currently on the rise and could rise even further with improved facilities and management. For example, Kenya, Tanzania, and Uganda (under GSM) import wheat and wheat flour on a regular basis. The total amounts vary from about 500,000 to 700,000 metric tons each year. All three countries currently import more maize, mainly yellow, and animal genetics than in recent years. A growing market for vegetable oil and animal byproducts is also developing. U.S. exports to this region have soared, due to a regional drought, immediately followed by flood conditions, and strong demand for maize and wheat products. As the central African region starts to recover from years of strife, additional commodities will be demanded in Rwanda, Burundi, southern Sudan, and eastern DROC. Over time, as conditions stabilize and the economies (such as Uganda) continue to experience Asian tiger-like growth, a wide range of agricultural commodities will be in demand. The total U.S. agricultural exports to these three countries ranges from about \$20 million to \$80 million. There is a lot of potential for further growth, but the non-tariff barriers, such as restrictive standards and high transportation costs, are a huge constraint. A common set of East African standards and enhanced regional transportation management practices would let U.S. exporters sell to the much larger regional market rather than to the smaller individual country markets.

#### **Expected Outcome of Activities:**

The expected outcome of the proposed activities is to assist in the implementation of reforms which can help reduce transportation costs and border difficulties thereby improving trade flow. The U.S. visits can exhibit to key stakeholders good working examples in transportation management and harmonized standards, also follow-on workshops in countries can help build support for reforms with a wider array of stakeholders in the EAC region.

The proposed activities will provide an opportunity for the identification of better transport management and import procedures which should provide a basis for improved practices in the East African region, thereby facilitating lower cost imports from exporting countries, including the U.S. The activities will provide the arena in which East African policy-makers can meet with U.S. experts to identify current endemic constraints, formulate required policy reforms, and strategize to work towards the objective of cutting costs and streamlining regulatory processes. Lower costs of transportation and harmonized, up-to-date standards will not only promote East African economic growth, U.S.-East Africa bilateral trade, and East Africa inter-regional trade, it will also foster U.S. investments in the region to further exploit the trade opportunities in the Eastern African region, in specific, and throughout Africa, in general.

#### **Progress on Past Initiatives:**

There is increasing attention being placed on cooperation on transportation and standards issues in the EAC region. This is spearheaded by the Secretariat for East African Cooperation with support from various donors, including USAID RESDO, USAID bilateral missions, USDA/FAS, World Bank, IMF, EC, and UN. In the area of transportation, progress has been made on: harmonization of axle road limits and enforcement of these regulations; establishment of common road engineering standards for EAC; establishment of a "roads Board

Authority" in Kenya which allows private sector participation in the management of their road system; increased use of the Advanced Cargo Information System (ACIS) which allows for much more efficient tracking of cargo and transport vehicles, greatly reducing delays and the need for police check points; privatization of selected operations at the ports (storage facilities; handling equipment); further improvements in customs documentation reducing the time it takes to clear cargo; and improvements in railway communications systems.

In the area of standards, the harmonization process has begun. Under the East African Cooperation umbrella, representatives of the three standards agencies (Kenya, Uganda, and Tanzania) have started to hold annual meetings to decide which country will have the lead in developing which standards. Although they have made some progress, they are very much hoping that the ATRIP proposal will be funded because that will spark much more rapid progress and also make a public event possible. The public event will let them also feel a spirit of ownership and understanding of the process and why it's important. In addition to periodic meetings, representatives of the three Standards agencies are attending a WTO/CODEX meeting that USDA/FAS is sponsoring in Washington. They intend to use that meeting to further their collective efforts to help the three countries form common standards and/or adopt international standards.

#### **Training in Regional Standards Harmonization:**

The first proposed activity consists of a two-week training in the U.S. for a team of twelve East African agricultural standards officials. The representatives will be selected from the Bureau of Standards and Ministries of Agriculture of Kenya, Uganda, and Tanzania and the private sector. The group will include (from each country) one official from the standards writing unit, a standards compliance officer, a plant/animal quarantine officer, and an appropriate private sector official. The training will include meetings with key U.S. agricultural standards agencies (FGIS, APHIS, FDA, FSIS, AMS), visits to selected ports and border crossings to see the standards in operation, and discussions with trade policy officials in Washington (USDA and USTR) about the NAFTA and WTO sanitary and phytosanitary agreements.

#### **Training in Regional Transportation Management:**

The second proposed activity consists of a two-week training in the U.S. for a team of twelve East African transportation specialists. The representatives will be selected from the existing regional transportation working group of officials and businessmen from Kenya, Uganda, and Tanzania. The group will include (from each country) mid-level managers, who are likely to influence policy over the next decade, from the rail, road, port, and customs communities of appropriate government agencies and private institutions. The training will consist of meetings with key U.S. transportation policy makers (USDA/AMS, DOT); visits to selected North American transportation facilities, including ports, railroads, road authorities, long-haul transporters (truck and rail), customs operations, freight forwarding agents, and commuter airlines; and discussions with NAFTA officials regarding the regionalization of transportation.

#### **In-Country Workshops and Technical Assistance:**

The third series of activities consists of nine in-country workshops (three in each country) to disseminate information and lessons learned from the U.S. visits and to address relevant technical issues determined through the established network.

#### Standards and Transportation Workshop in Nairobi:

The fourth proposed activity consists of a two-day workshop held in Nairobi for both teams, political leadership,

and other specially-targeted individuals to reconvene after the U.S. training to develop a strategic plan and collaborate on future action.

#### **Integration with Other Initiatives and Organizations:**

In addition to EATI, the proposed activities would support the mission of numerous African regional organizations and the objectives of many on-going initiatives. Some examples follow:

East African Cooperation (EAC): Founded by Kenya, Tanzania, and Uganda in March 1996, the EAC is committed to cooperation in six major areas promoting trade and investment in the region (see next section for details). Two of the areas of cooperation focus on developing an integrated transportation network throughout the region and reducing and harmonizing tariff and non-tariff barriers, including standards.

Preferential Trade Area (PTA): The PTA for Eastern and Southern Africa States, effective September 1982, is one of the largest economic groupings in Africa. Its membership currently comprises 18 countries. The PTA seeks to promote co-operation and development in all fields of economic activity among the countries of Eastern and Southern Africa. Since the launching of the operational phase of the PTA in July, 1984 various measures and instruments have been put in place with a view to liberalizing and increasing the volume of intra-regional trade, and establishing an inter-state transportation system as well as linkages in production and research enterprises across state borders. These include reduction and relaxation of tariff and non-tariff barriers, customs simplification and facilitation, clearing and payments arrangements, the introduction of the PTA Unit of Account (the UAPTA), the promotion of cross-border economic linkages in the production sectors, and the establishment and improvement of the sub-region transport and communications system.

<u>Greater Horn of Africa Initiative (GHAI)</u>: The goals of the GHAI are to increase food security and more effectively promote crisis prevention, mitigation and resolution through application of the GHAI programming principles. One of the principles involves analyzing and responding to events within the context of a regional perspective, and ensuring that GHAI activities achieve their optimal regional impact where possible. Further, it aims to promote joint activities -- in two or more countries -- where possible.

The Africa Growth and Opportunity Act (McDermott Bill): The primary goal of the U.S. Administration's trade and investment policy for Africa is to support sustainable economic development in the region and to quicken the pace of that development, which would boost U.S. trade and investment in Africa. In response to the economic and democratic reforms implemented by many Sub-Saharan African nations in recent years, the Administration seeks to accelerate the pace of development by: 1) increasing trade flows between the United States and Sub-Saharan Africa; 2) promoting economic reform as well as the development of the private sector and infrastructure, including transportation; 3) improving the investment climate; and 4) strengthening efforts toward democratic governance. A necessary, initial step in promoting increased trade flows is establishing harmonized standards. Likewise, an integral component for investments in transportation infrastructure are investments in the efficient management of this infrastructure.

El Niño Recovery Assistance: Since October 1997, exceptionally heavy rains associated with the El Niño phenomenon have caused havoc in most parts of eastern Africa, with severe floods seriously affecting food production and distribution. The floods have also caused extensive damage to crops, both in the field and in stores, as well as losses of large numbers of livestock. Severe damage has also been inflicted on the sub-region's infrastructure (roads, bridges, rail lines), seriously disrupting the movement of goods within and between countries. The FAO reports in a February 5, 1998 special release that although food assistance is urgently needed and currently being provided, assistance in the form of logistical support to improve transport difficulties is

critically required at this time. Similarly, Agricultural Attache in Kenya, Henry Schmick, comments in a February 1998 correspondence that, "As East Africa starts to rebuild its crumbled infrastructure, this proposal becomes more important and timely."

Secretary Brown's Commercial Development Mission: The late Secretary of Commerce Ron Brown worked to involve U.S. firms in the development of Africa's infrastructure during his historic Commercial Development Mission to Africa. Secretary Brown engaged Africans in regionally focused workshops in key sectors such as telecommunications, power generation, transportation, financial services, agribusiness, and tourism. Each workshop discussed opportunities, obstacles, and action recommendations for the government and private sector participants. The objective was to influence the African public and private sectors, as well as U.S. firms, toward approaching Africa's infrastructure development needs on a regional rather than an individual country basis.

#### The Importance of Regional Integration:

Pursuant to the Uruguay Rounds Agreement Act, the First Africa Trade Report was released by USTR in 1997, setting forth the Administration's comprehensive trade and development policy for Sub-Saharan Africa. One theme of the First Africa Trade Report is the importance of regional integration in Africa. This is particularly salient in the case of infrastructure networks such as road networks, where the lowest cost solution to the supply of infrastructure services often includes coordination of investments and maintenance between neighboring countries. Some efforts to coordinate infrastructure investments regionally are already occurring in certain sectors Sub-Saharan Africa. For example, the EAC has already developed an ambitious plan to coordinate electrical power projects. Under its plan, Uganda would supply more hydropower to energy-strapped Kenya, while Tanzania's entirely private Songo Songo gas project -- which is being partially funded by IDA -- would sell some of its power supply to Kenya. Similarly, SADC member countries signed protocols in August to fund regional infrastructure projects, including transportation projects. US firms may benefit from these regional efforts: Virginia-based AES Corp., for example, has signed a memorandum of understanding with Uganda to build a \$450 million dollar hydroelectric dam on the Nile.

The focus on regional integration also highlights the fact that, up to now, the quality of transportation infrastructure in Africa has often been less of a problem than institutional constraints. For example, one third of the time required to ship freight between landlocked Mali and neighboring ports in Lome and Abidjan is due to delays in customs clearance; in some East African ports clearing an unloaded container can require up to four weeks -- a procedure that could take less then 24 hours elsewhere.

#### III. Regional/Country Information

#### **EAC: The Commission for East African Cooperation**

The recently inaugurated East African Cooperation is expected to unlock the combined economic potential of Kenya, Uganda and Tanzania. It will create a larger market of 77 million people with an average per capita income of US\$190 that would allow better use of the region's varied resources spread over 1.7 million square kilometers of land.

The three East African countries are committed to cooperation in:

developing an integrated transport and communications network of roads, railways, and water for faster movement of people and delivery of goods and services. Cooperation should also improve telephone and other telecommunications facilities making it as easy to get in touch with Kampala and Dar-Es-Salaam as it is to get in touch with London, Paris and New York.

- < easing the movement of people from one country to the other in search of opportunities for education, trade, investment, tourism and leisure. In this regard, the three countries will introduce a standard travel document and separate counters at ports of entry and border crossing points.</p>
- < trade and investment matters by reducing, harmonizing, and ultimately abolishing all tariffs and non-tariff barriers, and encouraging private sector joint ventures. This will include identifying and removing impediments, recommending preferential treatment, and unifying investment codes.
- < coordinating the infrastructural facilities for supplying and distributing electricity within the region. The abundant hydroelectric potential along the Nile in Uganda would then benefit Kenya and Tanzania.
- < undertaking joint research and exchanging information on crop production and animal husbandry.
- < seeking to have their three currencies convertible and establishing a clearing and payments system for greater flow of trade. With convertibility, the three countries will redeem their excess currencies accumulated in the course of business. The three countries will work towards a single currency in the long run.</p>

Cooperation in the outlined areas will not only create a strong basis for rapid economic prosperity for the region, but it also clearly indicates that the EAC (namely Kenya, Uganda, and Tanzania) is well-prepared for the regional integration this proposal requires and that trade development in Africa demands.

#### Kenya

Kenya has one of the most prosperous economies in all of Africa. It is the center of East African economic growth and the principal point of export for many countries in the region. Recent efforts by the Kenyan government that encourage privatization and foreign investment and partnerships have made Kenya one of the most open countries for investors in the region, and indeed, in all of Africa. Kenya should seriously be considered for support for the following reasons:

- < Political Stability: Kenya has had a stable government since independence in 1963 and has a strong political commitment towards promoting private sector investments for sustained economic growth.
- Liberal Economic Policy: Over the past five years the government has introduced liberal market-oriented policies and reforms to improve the investment environment. Exchange controls have been liberalized, prices decontrolled, import licensing abolished, and a major privatization and parastatal reform program initiated.
- U.S. Presence: Approximately 100 American companies are represented in Kenya. The U.S., with \$114 million in exports to Kenya in 1996, is the country's fifth largest trading partner. Kenya's imports of U.S. agricultural products increased by 198 percent from CY1996-1997, with highest import levels of pulses, vegetable oils, and fresh vegetables since 1970.
- Resources and Infrastructure: Agriculture is still the dominant sector of the economy with enormous potential for growth in agro-processing activities. Fishing and livestock hold unlimited potential for further development and a future need for feed inputs and genetics. The infrastructure is progressively being improved to meet the needs of the expanding economy. A well-developed financial sector, road and air network, port facilities and telecommunications services provide adequate infrastructural back-up to industrial development.
- < Competitive Incentives: In support of private sector development, Kenya offers a competitive incentive package which includes duty and tax-free facilities, investment allowance, unrestricted repatriation of capital and profits, as well as relatively low tax rates. The Investment Promotion Center operates a "one-stop" service for investors through which it facilitates the acquisition of necessary approvals and licenses.</p>
- Investment Guarantees: The Foreign Investment Protection Act (FIPA) guarantees investors easy repatriation of capital, dividends, and after-tax profits in the currency of their choice. FIPA also protects foreign investment against expropriation. In addition, Kenya is a member of the Multilateral Investment Guarantee Agency and the International Center for the Settlement of Investment Disputes.
- < Skilled Labor: Kenya has an abundant supply of educated, trainable, mobile, skilled, and inexpensive labor

- in most sectors of the economy. A number of trade unions are registered under the trade Unions Act. They are organized by industry rather than craft, and union membership is voluntary. There is a well established industrial court for settling labor disputes.
- < English as the Official Language: Because the US and Kenya share a common language, Kenya is an easier place to enter the African market than one of the Francophone countries.

#### Uganda

Uganda boasts a rapidly growing economy with low, stable rates of inflation. While the market is small and average income is low, Uganda is currently considered to be a major success story in Sub-Saharan Africa. After the initial years of rehabilitation of the economic infrastructure, there is now a relatively strong infrastructural base. Uganda has made good progress in economic recovery as government moves from rehabilitation to development. There is a more conducive policy environment, which has been achieved through liberalization of economic activities and freeing prices from bureaucratic control. Due to the government's determination in pursuing sound macro-economic policies and the implementation of structural reforms, inflation was brought under control and there has been improvement in the budgetary deficit and a substantial rise in private transfers to the economy. Uganda should seriously be considered for support for the following reasons:

- < Political Stability: Uganda has had a stable government since 1986 with a political commitment towards promoting both foreign and domestic investment for sustained economic growth. Over the last five years, the government has had a record of infrastructure rebuilding, structural adjustment, and substantial rehabilitation, thus providing a strong base for development during the 1990's. The central driving force is to be provided by the private sector, to which the government guarantees protection of investment.</p>
- Liberal Economic Policy: A liberal outward-oriented policy regime has been introduced, giving prominence to the private sector, market forces, and government divestiture. Since 1987, the Economic Recovery Program (ERP) has been supported by the International Monetary Fund (IMF) and the World Bank with a view of restoring financial and fiscal stability, improving Uganda's trade balance and promoting growth. Foreign trade has been opened up and the foreign exchange rate is virtually being determined in the open market.
- < US Presence: Approximately 40 American companies are represented in Uganda. Uganda's imports of U.S. agricultural products increased by 346 percent from CY1996-1997, with highest import levels of wheat, course grains, pulses, wheat flour, planting seeds, and fresh vegetables since 1970.
- < Competitive Incentives: A major policy reform came into force in January 1991 with the passage into law of the Investment Code-1991. The objective is to promote, facilitate and monitor both foreign and domestic investment by rationalizing procedures for investment approval and introducing additional incentives. The Uganda Investment Authority (UIA) provides a "one-stop" service for issuing investment licenses, certificates of incentives, and registration of transfer of technology agreements and certificates of approval for externalization of funds. The incentives include duty and tax-free facilities; duty drawback for export industries; and exemption from corporation tax, withholding tax and tax on dividends.</p>
- < Investment Guarantees: The Code itself provides for investment protection and, in addition, Uganda has become a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA) and the International Center for Settlement of Investment Disputes (ICSID).
- < SkilledLabor: Ugandan labor is plentiful, literate, mobile, English-speaking, and easily trainable. Wage costs are low by international standards.
- < Englishas the Official Language: Because the US and Uganda share a common language, Uganda is an easier place to enter the African market than one of the Francophone countries.</p>

#### **Tanzania**

Over the last eight years, Tanzania has experienced positive economic growth averaging 3.5 - 5 percent per year. Over the last 12 months, the Tanzanian government has continued its efforts to rid itself of its unwieldy and unprofitable parastatal corporations. In addition, the country continues to offer attractive investment incentive to those individuals and firms wishing to invest in Tanzania. Furthermore, Tanzania efforts to liberalize its foreign exchange control regime have allowed all sectors in the economy to expand their horizons and attract foreign capital. Tanzania should seriously be considered for support for the following reasons:

- < Political Stability: Tanzania has a stable and peaceful socio-economic environment, free of ideological confrontation, ethnic strife and labor disputes.
- Liberal Economic Policy: Tanzania adheres to a free market economy and private sector activity. Government-owned companies are under privatization and reorganization. Tanzania has attracted a growing number of investors and entrepreneurs who are looking at the country in light of its economic rebirth since the mid-1980's, embodied in its far-reaching macro-economic reform programs.
- < US Presence: Approximately 40 American firms are represented in Tanzania. Tanzania's imports of US agricultural products increased by 181 percent from CY1996-1997, with substantial growth in imports of coarse grains, tobacco, intermediate agricultural products, and processed fruit and vegetables.
- Resources and Infrastructure: Tanzania has a vast, under-explored and still largely untapped wealth of natural resources, as well as tremendous agricultural, mineral, and energy opportunities. Tanzania is accelerating its progress in the field of infrastructure, especially in transport, communication, and energy.
- < Strategic Location: Tanzania has good communications with all parts of the world and enjoys a strategic location in terms of regional and international commerce. It is situated at the cross-roads of maritime trade traffic.
- Investment Guarantees: Tanzania has introduced favorable tax and regulatory treatment for all investors and has accelerated and streamlined the handling of investment proposals. Access to foreign exchange for repatriation of profits is guaranteed.
- < Skilled Labor: Tanzania has a large, trained, friendly, economical, and hard-working labor force.
- < English as the Official Language: Because the US and Tanzania share a common language, Tanzania is an easier place to enter the African market than one of the Francophone countries.

#### IV. Time Line and Mission Involvement

The time line for the proposed U.S.-based activities is open, excluding winter time in the U.S., when snow, ice, and cold may hinder the success of the visit. It would take several months after proposal acceptance working with USDA/FAS, USAID/REDSO, USAID bilateral missions, and the existing regional transportation group (EATI) to select the best participants and organize the most appropriate training. The in-country workshops in each country would be scheduled in the ensuing 6 months following the completion of the U.S.-based training, and the regional workshop in Nairobi would be scheduled 6 - 8 months following the completion of the U.S.-based training.

The proposed activities will be coordinated through the logistical and technical expertise of USDA/FAS/ICD. In an effort to avoid adding to USAID bilateral and regional missions' heavy work burden, advice would be solicited from field offices, but field offices' ultimate participation would be determined by their time and interest. Program success would not be dependent upon, but rather enhanced by, Mission involvement. A representative itinerary of the activities is as follows:

#### Training in Regional Standards Harmonization:

- Day 1-3: General orientation. Meet with key U.S. agricultural standards officials (AMS, FGIS, APHIS, FSIS, FDA, etc.) and policy makers.
- Day 4-10: Visit a port along the U.S. Gulf, a cross-border station between the United States and Mexico.

Day 11-12: Consultations with the policy makers to review the NAFTA and WTO sanitary agreements.

#### **Training in Regional Transportation Management:**

- Day 1-3: General Orientation. Meet with key U.S. transportation specialists and policy makers (USDA/AMS, DOT) and other relevant groups.
- Day 4-10: Visits to selected North American transportation facilities, including ports, railroads, road authorities, long-haul transporters (truck and rail), customs operations, freight forwarding agents, and commuter airlines.
- Day 11-12: Consultations with the policy makers to review the transportation protocols developed during the NAFTA negotiations.

#### **In-country workshops:**

Nine in-country workshops (three in each country) to disseminate information and lessons learned from the U.S. visits and to address relevant technical issues determined through the established network. Each workshop would be conducted by U.S. and/or local experts, as determined by the topic of discussion, and would last 1 - 2 days.

#### Standards and Transportation Workshop in Nairobi:

A two-day workshop in Nairobi for both teams, political leadership, and other specially-targeted key players to reconvene after the U.S. training to develop a strategic plan and collaborate on future action. Specific objectives of the workshop will be determined following the U.S.-based training programs.

#### **APPENDIX - BASIC INDICATORS**

BASIC INDICATORS	KENYA	UGANDA	TANZANIA
GROSS DOMESTIC PRODUCT (US\$)	7.3 B	4.7 B	4.0 B
GROSS DOMESTIC PRODUCT - PPP** (US\$)	36.8 B	16.8 B	23.1 B
PER CAPITA GDP (US\$)	285	270	135
PER CAPITA GDP - PPP** (US\$)	1300	900	800
AVERAGE GDP GROWTH RATE (%)	5.0	7.1	2.7
DISTRIBUTION GDP - AGRICULTURE (%)	27	55	58
DISTRIBUTION GDP - SERVICES (%)	54	33	34
DISTRIBUTION GDP - INDUSTRY (%)	19	12	8
TOTAL IMPORTS (US\$)	2.2 B	870 M	1.4 B
TOTAL AGRICULTURAL IMPORTS (US \$)	278 M	50 M	188 M
US MARKET SHARE OF AG IMPORTS (%)	7	<5	<5
AGRICULTURAL TRADE BALANCE (US\$ M)	889 M	441 M	308 M
US AG IMPORT GROWTH RATE - 1996-7 (%)	198	346	181
INFLATION RATE - CONSUMER PRICES (%)	1.7	6.1	2.5
POPULATION - 1996 (MILLIONS)	28.2	20.2	29.1
POPULATION GROWTH (%)	2.27	2.24	2.8
URBAN POPULATION (% TOTAL)	28.5	12.8	25.3
RURAL POPULATION (% TOTAL)	71.5	87.2	74.7
AGRICULTURAL POPULATION (% TOTAL)	77.7	83.1	81.6
LITERACY RATE (%)	78.1	61.8	67.8
LIFE EXPECTANCY AT BIRTH (YEARS)	55.6	40.6	42.34

<sup>\*\*</sup> The Purchasing Power Parity (PPP) method involves the use of international dollar price weights, which are applied to the quantity of goods and services produced in a given economy. The data derived from the PPP method provide a better comparison of economic well-being between countries. The division of a GDP estimate in domestic currency by the corresponding PPP estimate in dollars gives the PPP conversion rate. When priced in PPPs, \$1000 will buy the same market basket of goods in any country.